Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

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Latam Daily: Peru GDP and BanRep Survey Recap

- **Colombia: BanRep Survey—Inflation expectations rise again; rate cut expectations vanish for the rest of 2025**
- **Peru: 3.4% GDP growth in July, another stable month**

COLOMBIA: BANREP SURVEY—INFLATION EXPECTATIONS RISE AGAIN; RATE CUT EXPECTATIONS VANISH FOR THE REST OF 2025

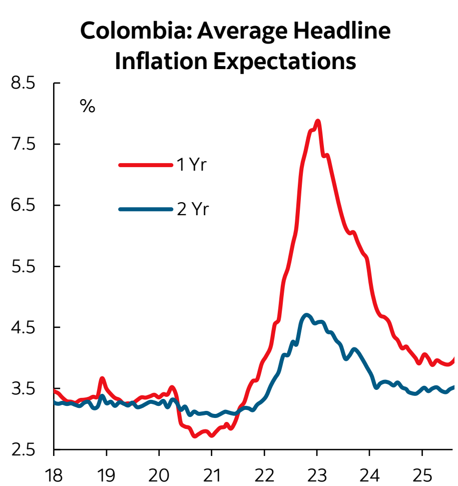
BanRep published its September survey of economists' expectations (table 1). Inflation expectations rose again, despite the recent CPI print aligning with market consensus. Expectations for December 2025 inflation surpassed the 5% mark, while projections for December 2026 now sit at the ceiling of BanRep's target range (defined between 2% and 4%). Both are significant shifts, likely driven by growing concerns over persistently sticky inflation, potentially linked to indexation effects from the anticipated minimum wage increase in 2026.

At Scotiabank, our expected inflation path for 2025 is biased to the upside compared to the economist consensus. We project year-end inflation at 5.19%, while for December 2026, our forecast is 3.89%. This projection assumes a minimum wage increase of approximately 7.5%, with indexation similar to what was observed in 2025. However, if the minimum wage increase reaches double digits, our projection would shift toward maintaining inflation above 4.5% by the end of 2026.

Regarding monetary policy, analysts do not expect interest rate cuts for the remainder of 2025. Following the July meeting, the board opted to keep rates steady at 9.25% in a split decision: four members voted for stability, two favoured a 50bps cut, and one supported a 25bps cut. In September, we anticipate continued division among board members. Economic activity remains resilient, in a context of still high inflation and inflation expectations. A potential tailwind for rate cuts could come from international markets, driven by expectations of Fed easing. However, we believe these external factors will not be sufficient to offset domestic concerns regarding the inflation convergence path and structural fiscal risks.

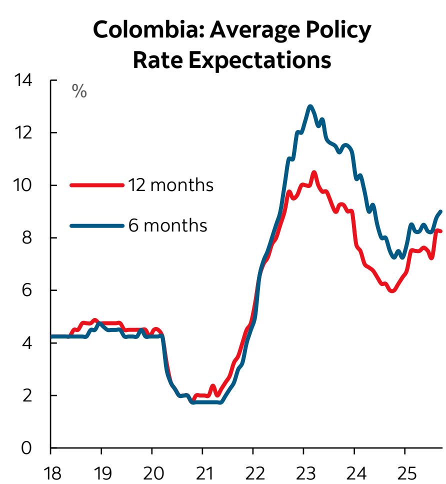
Looking ahead to the medium-term path, the economist consensus anticipates a resumption of the easing cycle in March 2026—in line with our expectations. However, while the consensus sees the policy rate ending 2026 at 8.00%, our current projection is 7.50%, with an upside risk if the minimum wage shock materializes.

Chart 1



Sources: Scotiabank Economics, BanRep.

Chart 2



Sources: Scotiabank Economics, BanRep.

The exchange rate outlook continued falling. For December 2025, analysts estimate an exchange rate of 4,056 pesos, 58 pesos lower than the previous survey. By 2026, the forecast is 4,061 pesos, 51 pesos lower than the previous projection. Scotiabank Colpatria's projection for 2025 is 4,249 pesos, and for 2026, 4,200 pesos.

Table 1: Colombia - Headline Inflation Expectations

	Average	Change vs Prev. Survey (bps)
Sept-2025, m/m % change	0.24	...
Dec-2025, y/y % change	5.03	9
1Y ahead, y/y % change	4.08	11
Dec-2026, y/y % change	4.00	15
2Y ahead, y/y % change	3.54	2

Sources: Scotiabank Economics, BanRep.

Key points from the survey:

- **Short-term inflation expectations.** For September, the consensus estimate is 0.24% m/m, implying annual inflation of 5.10% y/y, stable vs the current level. The higher expectation is 0.38% and the lowest is 0.09%. Scotiabank Colpatria Economics' projection is 0.28% m/m and 5.13% y/y. Core inflation, excluding food, projected by analysts is 0.22% m/m.
- **Medium-term inflation expectations.** Inflation expectations for December 2025 increased 9bps to 5.03% (table 1 again). Expectations for the 1-year horizon slightly increased by 11bps to 4.08%, and expectations for the 2-year horizon increased by 2bps to 3.54% (chart 1). Scotiabank Colpatria's expectations are above the market consensus; however, our bias is primarily explained by low food and regulated prices statistical bases.
- **Monetary policy rate.** The median expectation is for stability in the September meeting at 9.25%. Cuts are expected to be resumed in March 2026 (chart 2).

—Jackeline Piraján & Valentina Guio

PERU: 3.4% GDP GROWTH IN JULY, ANOTHER STABLE MONTH

Peru's GDP growth of 3.4% YoY in July sets it on course for our forecast of 3.1% growth for the year. Growth in month-on-month terms was a robust 0.9% (chart 3).

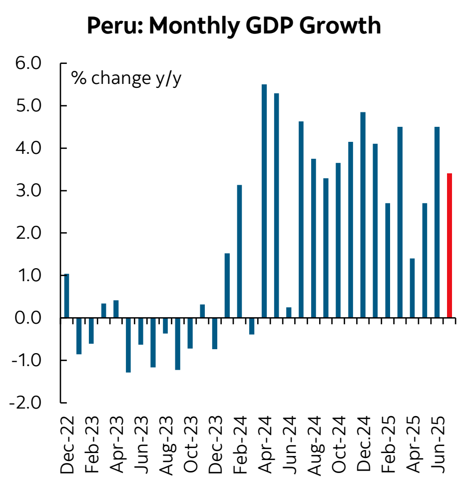
Much of the growth was linked to resource/export sectors. Fishing led, up nearly 35%, YoY, although, due to its low weight in the offseason, it actually contributed less than 0.1pp to growth.

More significantly, agriculture rose a hefty 12%, YoY, contributing a half percentage point to growth. Agriculture growth has been volatile in monthly terms this year, as the sector is still adjusting to the seasonal displacements caused by the 2023 El Niño weather disruptions. Growth in the year-to-date is a much more reasonable 3.6%.

Demand related sectors were mixed, and just a bit disappointing. The key industrial manufacturing GDP rose only 2.6%, YoY, and continues to underperform the economy. Commerce, hospitality, telecom, financial services and business services all were weakish (table 2).

Two domestic demand sectors stood out, transportation, up 4.3%, YoY, and, more importantly, construction, which rose 5.0%, YoY. Both of these sectors have become important drivers of the economy this year among non-resource sectors. Construction growth in particular has become broader, with residential homes contributing increasingly, in addition to infrastructure investment.

Chart 3



Sources: Scotiabank Economics, INEI.

Table 2: Peru - GDP Growth for July 2025 (%)

	y/y	m/m
GDP	3.4	0.9
Agriculture & Livestock	8.5	0.1
Agriculture	12.0	N/A
Fishing	34.9	5.0
Mining and Oil & Gas	2.0	2.5
Mining	1.9	N/A
Oil & Gas	2.2	N/A
Industrial Manufacturing	2.6	N/A
Electricity and Water	2.1	1.0
Construction	5.0	-0.6
Commerce	2.7	0.4
Transportation	4.3	0.6
Hotels & Restaurants	-0.8	6.0
Telecom	0.2	-0.9
Financial Services	0.0	0.1
Business Services	2.9	0.2
Government Services	4.0	N/A
Other services	3.5	N/A

Sources: Scotiabank Economics, INEI.

GDP growth to date is trending at 3.3%, but should decline mildly due to base comparisons going forward. Leading indicators for August suggest a growth rate of 3.0%, as the base comparison factor begins to manifest itself (table 3).

—Guillermo Arbe

Table 3: Peru - Leading Indicators (% Change y/y)

Indicator	Jun 2025	Jul 2025	Aug 2025
Public Investment	18	-1	-2
Mutual Funds AUM	45	40	40
Motorcycle Sales	36	14	16
Heavy Vehicle Sales	44	33	38
Automobile Sales	37	35	27
Sales Tax Revenue	9	2	4
Income Tax Revenue	6	3	28
Cement Sales	7	6	4
Electricity Demand	3	2	1
Pension Funds AUM			

Sources: Scotiabank Economics, SBS, BCRP, SMV, Imarpe, Sunat, COES, Asocem, PeruPetro.